Proposed Market Dominant Price Case Recommendations

Sharon Owens, Vice President, Pricing and Costing

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New rules add Density-Based and Retirement-Based Rate Authorities to CPI

- □ Starts with change in Consumer Price Index Urban (CPI-U) 1.24%
- Density Authority Accounts for declining volumes 4.5%
- Retirement Authority must be used for payment of liabilities and if not taken each year will not be available for future price changes 1.1%
- □ Total Authority for First-Class Mail, Marketing Mail, and Special Services 6.8%
- □ Periodicals and Package Services allowed additional 2% since currently underwater
- □ Market Dominant price increases are capped at CLASS LEVEL
- Greater Pricing Authority but restricted Pricing Flexibility from Stringent Regulations

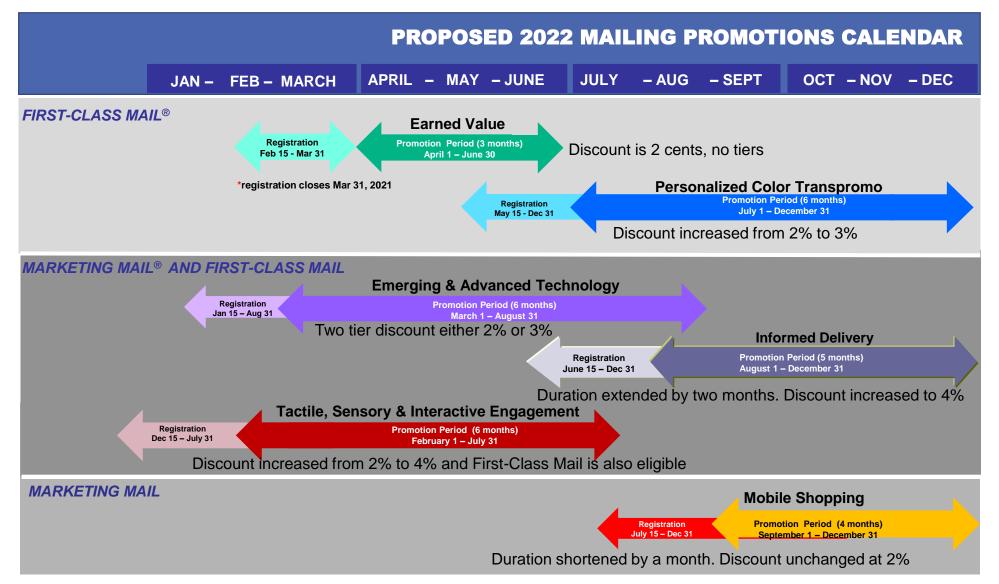


Promotions, Incentives, and Permit Fees





Promotions





Full-Service and Seamless Incentives and Permit Fees

- Full-Service incentives is maintained at the current levels for qualified First-Class Mail and Marketing Mail at \$0.003 and Periodicals and Package Services at \$0.001 per piece
- Seamless incentive is available to all eDoc submitters with a Seamless Acceptance CRID and an Enterprise Payment account who register in PostalOne! and is maintained at its current level \$0.001 per piece
- □ First-Class Mail Presort Permit Fee price increased from \$245.00 to \$265.00
- □ USPS Marketing Mail Bulk Permit Fee increased from \$245.00 to \$265.00
- □ Bound Printed Matter Flats Permit Fee increased from \$245.00 to \$265.00
- □ Permit Imprint Fee increased from \$245.00 to \$265.00



Proposed Price Change

First-Class Mail





First-Class Mail Products - Revenue \$24.2B

Single-Piece Letters (Stamp)

- Payments and correspondence
- Forever stamp covers first ounce
- Additional weight requires additional postage
- Typically used by consumers

Flats

- Large rectangular envelopes
- Documents, Photographs
- Single-Piece and commercial prices available

Metered Letters

- Postage applied by meter or PC Postage (avoids Retail)
- Currently 4 cent difference between Stamp & Meter prices
- Used by small businesses



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International Outbound

- Letters, flats, and postcards
- Available to over 180 countries
- Forever stamp covers first ounce
- Additional weight requires additional postage
- Typically used by consumers

Presort Letters

- Commercial mail bills and statements
- Up to 3.5 ounce for one price
- Discounts available for barcoding and presorting



Cards



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- Rectangular cardstock mailpiece not contained in an envelope
- Single-Piece and commercial prices available



First-Class Mail Pricing Rationale

Pricing strategy considers rate relationships across pricing categories and shapes

Letters	Cards	Flats
Price increase 6.3%	Price increase 13.2%	Price increase 10.3%
 58¢ stamp price Increase meter mail price by 2 cents to 53¢ Additional ounce price not changed New prices created for Nonauto Machinable and Nonmachinable letters Workshared letters price increase 7.2% from 40¢ to 43¢ average revenue per piece 	 Cards prices increased to reflect market value and future Marketing initiatives Single-Piece cards price increase 11.1% from 36¢ to 40¢ Presort cards price increase 14.1% increasing average revenue from 27¢ to 31¢ 	 Single-Piece Flats price increase 16 cents per piece from \$1.00 to \$1.16 to improve cost coverage. Workshared Flats price increased 10.9% from \$0.97 to \$1.08 average revenue per piece



First-Class Mail

Product	Current Price	Proposed Price	Percent Change
Rate Authority			6.8%
Stamp Price	55¢	58¢	5.5%
Meter Price	51¢	53¢	3.9%
Single-Piece Cards	36¢	40¢	11.1%
Single-Piece Flats - 1 ounce	\$1.00	\$1.16	16.0%
Additional ounce rate Letters & Flats	20¢	20¢	0%
Nonmachinable surcharge - letters	20¢	30¢	50%
Presorted Letters	40¢*	43¢*	7.2%
Presorted Cards	27¢*	31¢*	14.1%
Presorted Flats	\$0.97*	\$1.08*	10.9%
First-Class Mail International Outbound	\$1.57*	\$1.70*	8.4%



* Average revenue per piece

Inbound prices set by UPU, expected increase 6.6%.



Proposed Nonautomation letters Rates

	Price Current	Price Proposed	Percent Change In Rates
Automation Mixed AADC	\$0.450	\$0.485	7.8%
Automation AADC	\$0.428	\$0.461	7.7%
Nonauto Presort Letters	\$0.460		
Nonauto Mach Mixed AADC	\$0.460	\$0.494	7.4%
Nonauto Mach AADC	\$0.460 - \$0.20	\$0.461 \$0.30	0.2%
Nonauto Nonmach Mixed ADC	\$0.660	\$0.794	20.3%
Nonauto Nonmach 3-Digit	\$0.660	\$0.684	3.6%
Nonauto Nonmach 5-Digit	\$0.660	\$0.586	-11.2%

Nonmachinable surcharge is removed for nonmachinable letters



First-Class Mail – 2021 Proposed Price Change

	Current Price	New Price	\$ Difference	% Difference
1 oz. SP Letters	\$0.55	\$0.58	\$0.03	5.5%
1 oz. SP Metered	\$0.51	f \$0.53	\$0.02	3.9%
SP Cards \$0.	060 - \$0.36 \$0.	045 - \$0.40	\$0.04	11.1%
1 oz. Auto Mixed AADC Letters	\$0.450	\$0.485	\$0.035	7.8%
1 oz. Auto AADC Letters	. ₀₃₀ \$0.428	.035 \$0.461	\$0.033	7.7%
1 oz. Auto 5-Digit Letters	\$0.398	\$0.426	\$0.028	7.0%
1 oz. SP Flats	\$1.00	\$1.16	\$0.16	16.0%
SP Additional Ounce (Letters only)	\$0.20	\$0.20	\$0.00	0.0%
Shared Mail Letters	\$0.51	\$0.58	\$0.07	13.7%



Proposed Price Change

Marketing Mail





Marketing Mail Products – Revenue \$14.0B



Letters

- Enveloped, printed matter, mostly containing advertising
- Any material not required to go First-Class
- Discover & Capital One



- Carrier Route
- Pieces sorted to individual carrier routes
- Used by large catalog mailers
- Potpourri, Macy's & Dr. Leonard's Healthcare

Flats





- Direct mail letters for high percentage of addresses on carrier route
- Valpak & Geico



Large envelopes or niche catalog with lower volume for individual carrier routes Broadridge Financial Solutions

High Density/Saturation Flats



- Direct mail flats for high percentage of addresses on carrier route
- save. (formerly known as Red Plum)

EDDM



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- Easy to use solution for local mailers
- Targeted marketing by postal ZIP Code and carrier route



Parcels

- Non-fulfillment commercial parcels mostly used for samples
- Nonprofit organizations may use for fulfillment



Marketing Mail Pricing Rationale

Pricing strategy considers rate relationships across pricing categories and shapes

Letter-shaped Price increase 6.5%

- Lower price elasticity
- Above average increase for High Density Letters 9.6% to reduce incentive for industry to aggregate letters to qualify for lower price
- Below average increase for High Density Plus and Saturation Letters to align with flats prices
- Nonprofit 6.0% change lower than Commercial 6.5% increase

Flat-shaped Price increase 6.4%

- Higher price elasticity
- Flats, whether sorted to carrier route or not, 8.9% improves cost coverage of underwater products
- High Density 12.3% reduces incentive for industry to aggregate flats to qualify for lower price
- Below average increase for High Density Plus and Saturation Flats
- Nonprofit 12.1% change
 higher than Commercial 6.8%

Parcels Price increase 9.4%

 Higher-than-average price increase to reflect market value of parcels and improve cost coverage of the underwater product



Structural Change: Proposed New Discount – Encourage High Density Flats on Direct Pallets

- Direct Pallets Pallets that can be cross docked directly to the destination Delivery Unit without having to do bundle sorting at the Plant freeing up the capacity for more parcelshaped pieces.
- Currently there is an incentive for Carrier Route flat-shaped pieces to be on Direct Pallets. Incentive worked in moving Carrier Route flat-shaped piece to Direct Pallets (Increased from ~1% in FY2015 to ~14% in FY2020)
- Proposed discount applies to High Density flat-shaped pieces to be placed on Direct Pallets.



Marketing Mail

Product	Current Price	Proposed Price	Percent Change
Available CAP			6.8%
Letters	\$0.214*	\$0.228*	6.6%
High Density & Saturation Letters	\$0.171*	\$0.181*	6.0%
High Density Letters	\$0.188*	\$0.206*	9.6%
High Density Plus & Saturation Letters	\$0.164*	\$0.169*	3.3%
Flats	\$0.436*	\$0.475*	8.8%
Carrier Route	\$0.269*	\$0.293*	8.9%
High Density & Saturation Flats & Parcels	\$0.178*	\$0.187*	5.5%
High Density Flats	\$0.206*	\$0.232*	12.1%
High Density Plus, Saturation & EDDM Flats	\$0.170*	\$0.176*	3.4%
EDDM-Retail	\$0.192	\$0.202	5.2%
DAL	5.5¢	6.5¢	18.2%
DML	6.0¢	7.0¢	16.7%
Parcels	\$1.605*	\$1.755*	9.4%
Nonprofit Ratio			60.15%

* Average revenue per piece



Marketing Mail Automation Commercial Letters Prices Letters Product get below average price increase

Marketing Mail Auto Letters	Current Price	New Price	\$ Difference	% Difference
5-Digit Origin	\$0.259	\$0.277	\$0.018	6.95%
5-Digit DNDC	\$0.239	021 \$0.256	\$0.017	7.11%
5-Digit DSCF	04] \$0. \$0.235	\$0.250	\$0.015	6.38%
HD DSCF \$0.0	^{39 [} \$0. \$0.196	036 ¹ \$0.214	\$0.018	9.18%
Saturation Origin	\$0.191	\$0.197	\$0.006	3.14%
Saturation DNDC	19 (\$0. \$0.172	\$0.176	\$0.004	2.33%
Saturation DSCF	04 (\$0. \$0.168	⁰⁰⁴ \$0.172	\$0.004	2.38%



Marketing Mail Piece-Rate Commercial Flats Prices

Marketing Mail Auto Flats	Current Price	New Price	\$ Difference	% Difference
5-Digit Origin	\$0.450	\$0.482	\$0.032	7.11%
5-Digit DSCF	\$0.372	\$0.403	\$0.031	8.33%
C-R Basic DSCF	\$0.274	\$0.297 ^{\$0.}	¹⁰⁶ \$0.023	8.39%
Pure C-R DSCF	\$0.253 \$0.02	¹ \$0.276 ^{\$0.}	⁰²¹ \$0.023	9.09%
HD DSCF (125 pieces)	\$0.213	\$0.243	\$0.030	14.08%
HD DSCF on Direct Pallet	\$0.213	\$0.233	\$0.020	9.39%
HD+ DSCF (300 pieces)	\$0.187	\$0.195	\$0.008	4.28%
Saturation DSCF (90%)	\$0.179	\$0.188	\$0.009	5.03%
Saturation DDU (90%)	\$0.163	\$0.167	\$0.004	2.45%



Proposed Price Change

Periodicals





Periodicals – Revenue \$1.2B

Inside County



- Small newspapers, local publications
- Entered within the county in which entry locations is located
- Less than 10,000 subscribers

Outside County

Weeklies



- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue



- National Newspapers
- USA Today, Wall Street Journal, New York Times

Local Newspapers

- The Kentucky Enquirer
 - The Martin County Sun

Nonprofit Publishers



Time, Entertainment Weekly



AARP The Magazine, AARP Bulletin, Consumer Reports



Monthlies

Better Homes and Gardens, Vogue, Good Housekeeping



Periodicals Pricing Rationale

2% additional cap for non-compensatory class. Pricing strategy designed to increase average

Piece/Pound Price increase 10.1%

- Piece Prices (13.3%) Most cap is used to increase piece prices to maximize revenue and to meet PRC requirements
- Pound Prices (-0.8%) All zones now have the same price. Increase in Advertising Pound price for Zones 1-4 and decrease for Zones 5-9

Pallets Price Increase 2.1% Tray & Sack Price increase 4.7%

- Continue increasing container prices to maintain cost coverage
- Tray prices are lower at DSCF and DDU entry as compared to Sacks

Bundle Price increase 2.4%

 Bundle prices continue to increase in order improve cost coverages



Periodicals Mail

PRC provides extra 2% for non-compensatory class

Product	Current Price	Proposed Price	Percent Changes
Available CAP			8.8%
Outside County	\$0.27*	\$0.30*	8.8%
Inside County	\$0.11*	\$0.12*	8.3%

* Average revenue per piece



Proposed Price Change

Package Service





Package Services – Revenue \$0.8B

Bound Printed Matter Flats	Bound Printed Matter Parcels		
 Advertising and promotional material such as catalogs Weights up to 15 pounds Discounts for destination entry 	 Larger catalogs and journals, including books Weights up to 15 pounds Discounts for destination entry 		
Media Mail	Alaska Bypass		

Library Mail



- Museum and library materials mailed to and from eligible institutions
- Single-piece and presorted rates



Package Services Pricing Rationale

2% additional cap for non-compensatory class. Higher price increase for Media/Library Mail

BPM Parcels Price increase 6.7%

- Transfer to Competitive products pending
- BPM Parcel price increased to cover costs as PRC is not likely to issue its decision before filing this case

BPM Flats Price increase 7.5%

- Below-average price increase is expected to provide additional revenue while maintaining healthy cost coverage
- All zones now have the same price

Media/Library Mail Price increase 10.9%

- Above-average increase to improve cost coverage
- Alaska Bypass price increase 7.0%



Package Services Mail – FY2020 Revenue \$0.8B

PRC provides extra 2% for non-compensatory class

Product	Current Price	Proposed Price	Percent Change
Available CAP			8.8%
Alaska Bypass Service	\$26.30*	\$28.13*	7.0%
BPM Flats	\$0.76*	\$0.82*	7.5%
BPM Parcels	\$1.11*	\$1.19*	6.7%
Total Media / Library Mail	\$3.70*	\$4.11*	10.9%

* Average revenue per piece



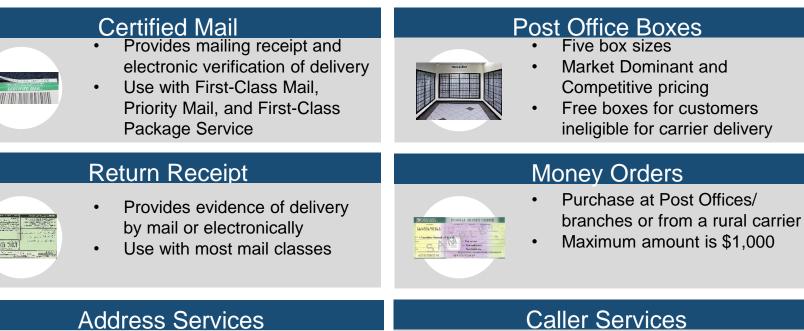
Proposed Price Change

Special Services





Special Services – Revenue \$1.8B



- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue

Caller Services

- Magazines and newspapers with greater geographic circulation
- Majority of volume and revenue



Special Services Pricing Rationale

Pricing strategy considers pricing higher volume services with consideration of competitive alternatives

Certified Mail / Return Receipt / Money Order

- Certified Mail prices increase 4.2%
- Return Receipt price
 increase 6.6%
- Money Order price increase 11.5% to improve cost coverage

Address Management Services

 Apply larger-thanaverage increases to better capture the value these services offer to mailers

PO Box & Other Services

- PO Box 9.3% price increase to reflect value to PO Box holders
- Any remaining cap would be spread across the other Special Services



Resources





Resources

Online

Postal Explorer® – pe.usps.com

- Current and new prices, in Excel and CSV formats, and draft Notice 123 (Pricelist)
- Federal Register notices detailing the price and classification changes
- Domestic Mail Manual & International Mail Manual

DMM[®] Advisory – on Postal Explorer, also special e-mail updates

